

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Cardinal of Eldon Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Greg Greiner	President	2008
Mike Kayser	Vice President	2009
Fred Thomas	Board Member	2007
Carol Streeby	Board Member	2007
Mary Campbell	Board Member	2009

Board of Education (After September 2007 Election)		
Greg Greiner	President	2008
Mike Kayser	Vice President	2009
Mary Campbell	Board Member	2009
Fred Thomas	Board Member	2010
Carol Streeby	Board Member	2010

School Officials		
Arnie Snook	Superintendent	2008
Tina Snyder	Board Secretary/Treasurer	2008
Ahlers & Cooney, P.C	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Cardinal of Eldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District, Eldon, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2009 on our consideration of Cardinal of Eldon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cardinal of Eldon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 26, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cardinal of Eldon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,375,125 in fiscal 2007 to \$5,973,492 in fiscal 2008, while General Fund expenditures increased from \$5,597,645 in fiscal 2007 to \$5,828,268 in fiscal 2008. Revenues exceeded expenditures resulting in an increase in the District's General Fund balance from a deficit balance of \$361,407 in fiscal 2007 to a deficit balance of \$216,183 in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in local, state, and federal sources of revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in regular instruction functional area.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Cardinal of Eldon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Cardinal of Eldon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Cardinal of Eldon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Cardinal of Eldon Community School District Annual Financial Report

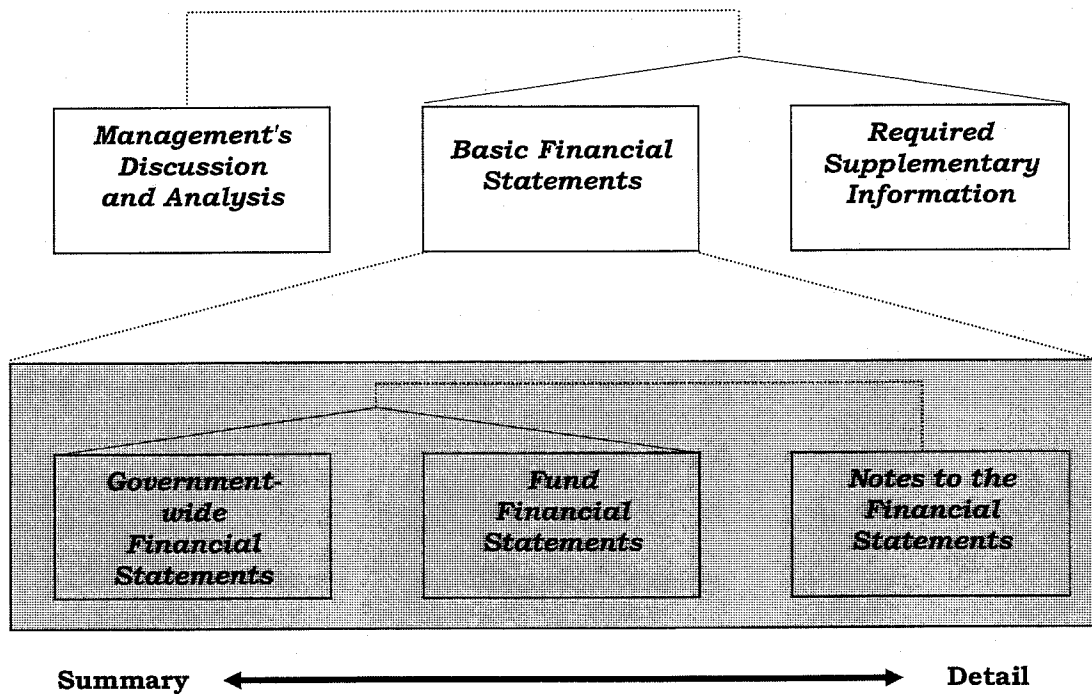


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private-Purpose Trust fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 4,848,387	3,805,372	\$ 3,899	9,211	\$ 4,852,286	3,814,583	27.20%
Capital assets	2,909,990	2,740,143	24,958	23,625	2,934,948	2,763,768	6.19%
Total assets	7,758,377	6,545,515	28,857	32,836	7,787,234	6,578,351	18.38%
Long-term obligations	387,953	569,675	0	0	387,953	569,675	-31.90%
Other liabilities	4,513,057	3,683,073	20,636	17,065	4,533,693	3,700,138	22.53%
Total liabilities	4,901,010	4,252,748	20,636	17,065	4,921,646	4,269,813	15.27%
Net assets:							
Invested in capital assets, net of related debt	2,539,990	2,260,143	24,958	23,625	2,564,948	2,283,768	12.31%
Restricted	495,389	452,040	0	0	495,389	452,040	9.59%
Unrestricted	(178,012)	(419,416)	(16,737)	(7,854)	(194,749)	(427,270)	54.42%
Total net assets	\$ 2,857,367	2,292,767	\$ 8,221	15,771	\$ 2,865,588	2,308,538	24.13%

The District's combined net assets increased by 24.13% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 9.59% over the prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased 54.42% compared to the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2008 and 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 611,257	519,939	\$ 91,793	112,905	703,050	632,844	11.09%
Operating grants and contributions and restricted interest	871,645	747,728	172,999	160,549	1,044,644	908,277	15.01%
Capital grants and contributions and restricted interest	0	30,004	0	0	0	30,004	-100.00%
General revenues:							
Local tax	1,763,687	1,558,452	0	0	1,763,687	1,558,452	13.17%
Local option sales and service tax	373,479	391,399	0	0	373,479	391,399	-4.58%
Unrestricted state grants	3,167,259	2,966,729	0	0	3,167,259	2,966,729	6.76%
Other	148,845	87,776	0	0	148,845	87,776	69.57%
Transfers	(10,413)	(48,409)	10,413	10,579	0	-37,830	100.00%
Total revenues and transfers	<u>6,925,759</u>	<u>6,253,618</u>	<u>275,205</u>	<u>284,033</u>	<u>7,200,964</u>	<u>6,537,651</u>	<u>10.15%</u>
Program expenses:							
Governmental activities:							
Instructional	4,170,438	4,130,222	0	0	4,170,438	4,130,222	0.97%
Support services	1,822,553	2,003,193	0	0	1,822,553	2,003,193	-9.02%
Non-instructional programs	0	0	282,755	282,947	282,755	282,947	-0.07%
Other expenses	368,169	480,090	0	0	368,169	480,090	-23.31%
Total expenses	<u>6,361,160</u>	<u>6,613,505</u>	<u>282,755</u>	<u>282,947</u>	<u>6,643,915</u>	<u>6,896,452</u>	<u>-3.66%</u>
Change in net assets	564,599	(359,887)	(7,550)	1,086	557,049	(358,801)	255.25%
Net assets beginning of year	<u>2,292,768</u>	<u>2,652,655</u>	<u>15,771</u>	<u>14,685</u>	<u>2,308,539</u>	<u>2,667,340</u>	<u>-13.45%</u>
Net assets end of year	<u>\$ 2,857,367</u>	<u>2,292,768</u>	<u>\$ 8,221</u>	<u>15,771</u>	<u>2,865,588</u>	<u>2,308,539</u>	<u>24.13%</u>

In fiscal 2008, local tax and unrestricted state grants account for 71.20% of the revenue from governmental activities while charges for services and operating grants and contributions account for 96.22% of the revenue from business type activities.

The District's total revenues were approximately \$7.20 million of which \$6.93 million was for governmental activities and \$.27 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 10.15% increase in revenues and a 3.66% decrease in expenses. The decrease in expenses related to a decrease in facilities acquisitions.

Governmental Activities

Revenues for governmental activities were \$6,925,759 and expenses were \$6,361,160.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,170,438	4,130,222	0.97%	2,912,999	3,065,874	-4.99%
Support services	1,822,553	2,003,193	-9.02%	1,821,828	2,002,518	-9.02%
Other expenses	368,169	480,090	-23.31%	143,431	247,442	-42.03%
Totals	<u>\$ 6,361,160</u>	<u>6,613,505</u>	<u>-3.82%</u>	<u>4,878,258</u>	<u>5,315,834</u>	<u>-8.23%</u>

- The cost financed by users of the District's programs was \$611,257.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$871,645.
- The net cost of governmental activities was financed with \$2,137,166 in local tax, \$3,167,259 in unrestricted state grants, \$80,750 in interest income, and \$68,095 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$275,205 and expenses were \$282,755. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Cardinal of Eldon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported an increase in combined fund balance to \$206,147, compared to last year's ending fund balances of \$5,224. However, the primary reason for the increase was the increase in revenues.

Governmental Fund Highlights

- The District's General Fund balance increased from a deficit \$361,407 on June 30, 2007 to a deficit \$216,183 on June 30, 2008. The District's increasing General Fund financial position is the product of many factors. An increase in local, state, and federal sources of revenue during the year resulted in an increase in total revenues. An increase in instructional support services, and other expenditures increased the total expenditures for the year. However, revenues exceeded expenditures ensuring the increase in the District's financial position.
- The Capital Projects fund balance increased from \$212,552 in 2007, to \$258,213 in 2008. The fund had a decrease in transportation services and facilities acquisitions expenditures during the year.
- The Activity Fund combined balance decreased from \$91,745 in 2007, to \$88,178 in 2008, due to the decrease in revenues.
- The Physical Plant and Equipment Levy (PEEL) fund balance decreased from \$15,643 to \$10,427, due to expenditures exceeding revenues during the year.

- The Management Levy fund balance increased from \$46,691, to \$65,512, due to an increase in local tax revenues.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$15,771 at June 30, 2007 to \$8,221 at June 30, 2008. The District received less in local sources during the year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$43,292 more than budgeted revenues, a variance of 0.06%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were more than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services function. The District also exceeded the total expenditures amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$2,934,948, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.19% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$98,544.

The original cost of the District's capital assets was \$6,383,289. Governmental funds account for \$6,255,532 with the remainder of \$137,737 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$65,000 at June 30, 2008, compared to \$14,643 at June 30, 2007. This increase resulted from the District beginning a boiler project.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Construction in progress	\$ 65,000	14,643	0	0	65,000	14,643	343.90%
Buildings	2,219,951	2,157,128	0	0	2,219,951	2,157,128	2.91%
Land improvements	428,766	358,964	0	0	428,766	358,964	19.45%
Machinery and equipment	196,273	209,408	24,958	23,625	221,231	233,033	-5.06%
Total	<u>\$ 2,909,990</u>	<u>2,740,143</u>	<u>\$ 24,958</u>	<u>23,625</u>	<u>\$ 2,934,948</u>	<u>2,763,768</u>	<u>6.19%</u>

Long-Term Debt

At June 30, 2008, the District had long-term debt outstanding of \$387,953 in general obligation bonds, capital loan notes, and early retirement. This represents a decrease of 31.9% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,000 at June 30, 2008. This amount has been outstanding since 1995.

The District had total outstanding capital loan notes payable of \$365,000 at June 30, 2008. The capital loan notes are paid from the Debt Service fund, but the PPEL fund transfers the monies there to be paid.

The District had total outstanding early retirement payable of \$17,953 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation	\$ 5,000	5,000	0.0%
Capital loan notes	365,000	475,000	-23.2%
Early retirement	17,953	89,675	-80.0%
Totals	<u>\$ 387,953</u>	<u>569,675</u>	<u>-31.9%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2004.
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tina Snyder, Board Secretary, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments			
ISCAP(Note 5)	\$ 2,056,385	0	2,056,385
Other	655,430	0	655,430
Receivables:			
Property tax:			
Delinquent	38,592	0	38,592
Succeeding year	1,796,849	0	1,796,849
Income surtax	130,583	0	130,583
Accounts	468	2,216	2,684
Accrued interest:			
ISCAP(Note 5)	10,470	0	10,470
Due from other governments	159,610	0	159,610
Inventories	0	1,683	1,683
Capital assets, net of accumulated depreciation(Note 6)	2,909,990	24,958	2,934,948
Total Assets	7,758,377	28,857	7,787,234
Liabilities			
Excess of warrants issued over bank balance	0	3,524	3,524
Accounts payable	64,485	0	64,485
Interest payable	1,400	0	1,400
Salaries and benefits payable	569,829	14,920	584,749
ISCAP warrants payable(Note 5)	2,043,000	0	2,043,000
ISCAP accrued interest payable(Note 5)	10,253	0	10,253
ISCAP premiums payable	27,241	0	27,241
Deferred revenue:			
Succeeding year property tax	1,796,849	0	1,796,849
Unearned revenue	0	2,192	2,192
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds	5,000	0	5,000
Capital loan notes	115,000	0	115,000
Early retirement payable	17,953	0	17,953
Portion due after one year:			
Capital loan notes	250,000	0	250,000
Total Liabilities	4,901,010	20,636	4,921,646
Net Assets			
Invested in capital assets, net of related debt	2,539,990	24,958	2,564,948
Restricted for:			
School infrastructure supplement	5,004	0	5,004
Talented and gifted	72,082	0	72,082
Salary improvement program	5,493	0	5,493
Early intervention	13,437	0	13,437
Capital projects	253,209	0	253,209
Physical plant and equipment levy	10,427	0	10,427
Management levy	47,559	0	47,559
Other special revenue purposes	88,178	0	88,178
Unrestricted	(178,012)	(16,737)	(194,749)
Total Assets	\$ 2,857,367	8,221	2,865,588

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,227,484	241,662	646,040	(1,339,782)	0
Special instruction	861,924	68,976	0	(792,948)	0
Other instruction	1,081,030	300,619	142	(780,269)	0
	<u>4,170,438</u>	<u>611,257</u>	<u>646,182</u>	<u>(2,912,999)</u>	<u>0</u>
Support services:					
Student services	139,142	0	0	(139,142)	0
Instructional staff services	225,276	0	0	(225,276)	0
Administration services	744,771	0	0	(744,771)	0
Operation and maintenance of plant services	401,453	0	0	(401,453)	0
Transportation services	311,911	0	725	(311,186)	0
	<u>1,822,553</u>	<u>0</u>	<u>725</u>	<u>(1,821,828)</u>	<u>0</u>
Other expenditures:					
Facilities acquisitions	67,683	0	0	(67,683)	0
Long-term debt interest	21,187	0	0	(21,187)	0
AEA flowthrough	224,738	0	224,738	0	0
Depreciation(unallocated)*	54,561	0	0	(54,561)	0
	<u>368,169</u>	<u>0</u>	<u>224,738</u>	<u>(143,431)</u>	<u>0</u>
Total governmental activities	6,361,160	611,257	871,645	(4,878,258)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	282,755	91,793	172,999	0	(17,963)
Total business-type activities	<u>282,755</u>	<u>91,793</u>	<u>172,999</u>	<u>0</u>	<u>(17,963)</u>
Total	\$ 6,643,915	703,050	1,044,644	(4,878,258)	(17,963)
					<u>(4,896,221)</u>
General Revenues and Transfers:					
General Revenues:					
Local tax for:					
General purposes			\$ 1,639,669	0	1,639,669
Capital outlay			124,018	0	124,018
Local option sales and service tax			373,479	0	373,479
Unrestricted state grants			3,167,259	0	3,167,259
Unrestricted investment earnings			80,750	0	80,750
Other general revenues			68,095	0	68,095
Transfers			(10,413)	10,413	0
Total general revenues and transfers			<u>5,442,857</u>	<u>10,413</u>	<u>5,453,270</u>
Changes in net assets			564,599	(7,550)	557,049
Net assets beginning of year			2,292,768	15,771	2,308,539
Net assets end of year			<u>\$ 2,857,367</u>	<u>8,221</u>	<u>2,865,588</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Other Nonmajor Governmental		
	General	Funds	Total
Assets			
Cash and pooled investments			
ISCAP(Note 5)	\$ 2,056,385	0	2,056,385
Other	311,590	343,840	655,430
Receivables:			
Property tax			
Delinquent	31,165	7,427	38,592
Succeeding year	1,523,011	273,838	1,796,849
Income surtax	130,583	0	130,583
Interfund	0	9,149	9,149
Accounts	468	0	468
Accrued interest:			
ISCAP(Note 5)	10,470	0	10,470
Due from other governments	97,696	61,914	159,610
Total Assets	\$ 4,161,368	696,168	4,857,536
Liabilities and Fund Balances			
Liabilities:			
Interfund payable	\$ 9,149	0	9,149
Accounts payable	64,485	0	64,485
Salaries and benefits payable	569,829	0	569,829
ISCAP warrants payable(Note 5)	2,043,000	0	2,043,000
ISCAP accrued interest payable(Note 5)	10,253	0	10,253
ISCAP premiums payable	27,241	0	27,241
Deferred revenue:			
Succeeding year property tax	1,523,011	273,838	1,796,849
Income surtax	130,583	0	130,583
Total liabilities	4,377,551	273,838	4,651,389
Fund balances:			
Reserved for:			
School infrastructure supplement	0	5,004	5,004
Talented and gifted	72,082	0	72,082
Salary improvement program	5,493	0	5,493
Early intervention	13,437	0	13,437
Unreserved	(307,195)	417,326	110,131
Total fund balances	(216,183)	422,330	206,147
Total Liabilities and Fund Balances	\$ 4,161,368	696,168	4,857,536

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 206,147
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,909,990
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,400)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	130,583
Long-term liabilities, including bonds, capital loan notes and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(387,953)
Net assets of governmental activities (page 13)	<u><u>\$ 2,857,367</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	General	Other Nonmajor Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 1,443,056	682,401	2,125,457
Tuition	310,638	0	310,638
Other	181,036	268,570	449,606
State sources	3,818,424	0	3,818,424
Federal sources	220,338	0	220,338
Total revenues	5,973,492	950,971	6,924,463
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	2,244,909	71,114	2,316,023
Special instruction	861,924	0	861,924
Other instruction	834,026	247,004	1,081,030
	3,940,859	318,118	4,258,977
Support services:			
Student services	139,142	0	139,142
Instructional staff services	201,805	33,884	235,689
Administration services	679,357	65,414	744,771
Operation and maintenance of plant services	373,049	26,629	399,678
Transportation services	269,318	14,416	283,734
	1,662,671	140,343	1,803,014
Other expenditures:			
Facilities acquisitions	0	305,226	305,226
Long-term debt:			
Principal	0	110,000	110,000
Interest	0	21,585	21,585
AEA flowthrough	224,738	0	224,738
	224,738	436,811	661,549
Total expenditures	5,828,268	895,272	6,723,540
Excess of revenues over expenditures	145,224	55,699	200,923
Other financing sources(uses):			
Transfers in	0	131,985	131,985
Transfers out	0	(131,985)	(131,985)
Total other financing sources(uses)	0	0	0
Net change in fund balances	145,224	55,699	200,923
Fund balances beginning of year	(361,407)	366,631	5,224
Fund balances end of year	\$ (216,183)	422,330	206,147

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 200,923

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 264,360	
Depreciation expense	<u>(94,513)</u>	169,847

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 110,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 398

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	71,722
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 11,709

Changes in net assets of governmental activities (page 14) \$ 564,599

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
Assets	
Accounts receivable	\$ 2,216
Inventories	1,683
Capital assets, net of accumulated depreciation(Note 6)	<u>24,958</u>
Total Assets	<u>28,857</u>
Liabilities	
Excess of warrants issued over bank balance	3,524
Salaries and benefits payable	14,920
Unearned revenues	<u>2,192</u>
Total Liabilities	<u>20,636</u>
Net Assets	
Invested in capital assets	24,958
Unrestricted	<u>(16,737)</u>
Total Net Assets	<u>\$ 8,221</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for service	\$ 91,793
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	82,362
Benefits	16,874
Services	1,949
Supplies	171,694
Other	96
Depreciation	4,031
TOTAL OPERATING EXPENSES	<u>277,006</u>
OPERATING LOSS	<u>(185,213)</u>
NON-OPERATING REVENUES (EXPENSES):	
State sources	3,718
Federal sources	169,281
Loss on disposal of assets	(5,749)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>167,250</u>
Change in net assets before capital contributions	(17,963)
Capital contributions	<u>10,413</u>
Change in net assets	(7,550)
Net assets at beginning of year	<u>15,771</u>
Net assets end of year	<u><u>\$ 8,221</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 89,642
Cash received from miscellaneous	787
Cash payments to employees for services	(100,041)
Cash payments to suppliers for goods or services	(155,192)
Net cash used in operating activities	<u>(164,804)</u>
Cash flows from non-capital financing activities:	
State grants received	3,718
Federal grants received	155,008
Net cash provided by non-capital financing activities	<u>158,726</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(700)</u>
Net decrease in cash and cash equivalents	(6,778)
Cash and cash equivalents at beginning of year	<u>3,254</u>
Cash and cash equivalents at end of year	<u>\$ (3,524)</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (185,213)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	14,273
Depreciation	4,031
Decrease in inventories	4,274
Increase in accounts receivable	(2,216)
Decrease in salaries and benefits payable	(805)
Increase in unearned revenue	852
Net cash used in operating activities	<u>\$ (164,804)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ (3,524)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$14,273.

During the year ended June 30, 2008, the District received \$10,413 in capital contributions from Capital Projects Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 42,847
LIABILITIES	
	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u>\$ 42,847</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 39
Interest income	244
Total additions	<u>283</u>
Deductions:	
Non-instructional programs:	
Scholarships awarded	<u>4,986</u>
Change in net assets	(4,703)
Net assets beginning of year	<u>47,550</u>
Net assets end of year	<u><u>\$ 42,847</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Cardinal of Eldon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Cardinal of Eldon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jefferson, Wapello, Davis, and Van Buren County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to

customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted. Also during the year ended June 30, 2008, total expenditures exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified portfolio	<u>\$ 439,461</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured and are held by the District in the District's name. Certificates are stated at fair value.

At June 30, 2008, the District had investments in Certificates of Deposit maturing over one year as follows:

	Fair Value
Certificates of Deposit	\$ 33,658

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 9,149

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue Physical Plant and Equipment Levy	\$ 131,985

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08B	1/23/2008	1/23/2009	\$ 663,122	9,942	661,000	9,847
2008-09A	6/26/2008	6/25/2009	1,393,263	528	1,382,000	406
Total			\$ 2,056,385	10,470	2,043,000	10,253

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A \$	0	795,000	795,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 14,643	65,000	14,643	65,000
Total capital assets not being depreciated	14,643	65,000	14,643	65,000
Capital assets being depreciated:				
Buildings	3,771,871	140,658	0	3,912,529
Land improvements	976,316	46,528	0	1,022,844
Machinery and equipment	1,280,462	26,817	52,120	1,255,159
Total capital assets being depreciated	6,028,649	214,003	52,120	6,190,532
Less accumulated depreciation for:				
Buildings	1,614,743	77,835	0	1,692,578
Land improvements	617,352	0	23,274	594,078
Machinery and equipment	1,071,054	39,952	52,120	1,058,886
Total accumulated depreciation	3,303,149	117,787	75,394	3,345,542
Total capital assets being depreciated, net	2,725,500	96,216	(23,274)	2,844,990
Governmental activities capital assets, net	\$ 2,740,143	161,216	(8,631)	2,909,990

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 133,033	11,113	6,389	137,757
Less accumulated depreciation	109,408	4,031	640	112,799
Business-type activities capital assets, net	\$ 23,625	7,082	5,749	24,958

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 10,000
Support services:	
Operation and maintenance of plant services	1,775
Transportation	28,177
	<u>39,952</u>
Unallocated depreciation	54,561
Total governmental activities depreciation expense	<u>\$ 94,513</u>
Business-type activities:	
Food services	\$ 4,031

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation	\$ 5,000	0	0	5,000	5,000
Capital loan notes	475,000	0	110,000	365,000	115,000
Early retirement	89,675	17,953	89,675	17,953	17,953
Total	<u>\$ 569,675</u>	<u>17,953</u>	<u>199,675</u>	<u>387,953</u>	<u>137,953</u>

General Obligation

Details of the District's June 30, 2008 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue dated March 1, 1983		
		Principal	Interest	Total
1995	8.60 %	\$ 5,000	1,935	6,935

Capital Loan Notes

Capital loan notes are paid out of the PPEL Fund and details of the District's June 30, 2008 indebtedness is as follows:

Year Ending June 30,	Interest Rate	Issue May 27, 1997		
		Principal	Interest	Total
2009	4.50 %	\$ 115,000	16,800	131,800
2010	4.60	125,000	11,625	136,625
2011	4.70	125,000	5,875	130,875
Total		\$ 365,000	34,300	399,300

Early Retirement

The District offers a voluntary early retirement plan to its Licensed employees. Eligible employees must be at least fifty-five and licensed employees must have completed ten years of continuous service as a full-time licensed employee to the District. Licensed employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible licensed employee is the licensed employee will receive credit for their first ten years of continuous service and will receive the difference between their placement on the tenth step of their educational lane on the salary schedule and the base salary for the current year. In addition to this amount the individual will be reimbursed at the rate of \$50 per day for each unused accumulated sick day to the maximum of one hundred twenty days. Early retirement benefits paid during the year totaled \$89,675.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$191,617, \$188,504, \$177,594, and respectively, equal to the required contributions for each year.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$633,294.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$224,738 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The General Fund had a deficit unreserved fund balance at June 30, 2008 of \$307,195 and the Enterprise Fund, School Nutrition had deficit unrestricted net assets of \$16,737.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amount budgeted. The District also exceeded the total expenditures amount budgeted during the year ended June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,885,701	91,793	2,977,494	2,870,251	2,870,251	107,243
State sources	3,818,424	3,718	3,822,142	3,881,712	3,881,712	(59,570)
Federal sources	220,338	169,281	389,619	394,000	394,000	(4,381)
Total revenues	6,924,463	264,792	7,189,255	7,145,963	7,145,963	43,292
Expenditures:						
Instruction	4,258,977	0	4,258,977	3,946,000	3,946,000	(312,977)
Support services	1,803,014	0	1,803,014	1,788,000	1,788,000	(15,014)
Non-instructional programs	0	282,755	282,755	334,885	334,885	52,130
Other expenditures	661,549	0	661,549	931,129	931,129	269,580
Total expenditures	6,723,540	282,755	7,006,295	7,000,014	7,000,014	(6,281)
Excess(deficiency) of revenues over(under) expenditures	200,923	(17,963)	182,960	145,949	145,949	37,011
Other financing sources, net	0	10,413	10,413	0	0	10,413
Excess(deficiency) of revenues and other financing sources over(under) expenditures	200,923	(7,550)	193,373	145,949	145,949	47,424
Balance beginning of year	5,224	15,771	20,995	17,599	17,599	3,396
Balance end of year	\$ 206,147	8,221	214,368	163,548	163,548	50,820

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the instruction and support services functions exceeded the amounts budgeted. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2008.

OTHER SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					
	Manage- ment Levy	Physical Plant and Equipment Levy	Student Activity	Total Special Revenue Funds	Capital Projects	Total Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 61,067	7,445	88,178	156,690	187,150	343,840
Receivables:						
Property tax:						
Current year delinquent	4,445	2,982	0	7,427	0	7,427
Succeeding year	135,000	138,838	0	273,838	0	273,838
Interfund	0	0	0	0	9,149	9,149
Due from other governments	0	0	0	0	61,914	61,914
Total Assets	\$ 200,512	149,265	88,178	437,955	258,213	696,168
Liabilities and Fund Balances						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 135,000	138,838	0	273,838	0	273,838
	135,000	138,838	0	273,838	0	273,838
Fund balances:						
Reserved:						
School infrastructure supplement	0	0	0	0	5,004	5,004
Unreserved	65,512	10,427	88,178	164,117	253,209	417,326
Total fund balances	65,512	10,427	88,178	164,117	258,213	422,330
Total Liabilities and Fund Balances	\$ 200,512	149,265	88,178	437,955	258,213	696,168

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue						Total
	Physical						Other
	Manage- ment Levy	Plant and Equipment Levy	Student Activity	Total Special Revenue	Debt Service	Capital Projects	Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 184,904	124,018	0	308,922	0	373,479	682,401
Other	11,090	2,751	243,437	257,278	0	11,292	268,570
TOTAL REVENUES	195,994	126,769	243,437	566,200	0	384,771	950,971
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	71,114	0	0	71,114	0	0	71,114
Other instruction	0	0	247,004	247,004	0	0	247,004
	71,114	0	247,004	318,118	0	0	318,118
Support services:							
Instructional staff services	0	0	0	0	0	33,884	33,884
Administration services	65,014	0	0	65,014	400	0	65,414
Operation and maintenance of plant services	26,629	0	0	26,629	0	0	26,629
Transportation services	14,416	0	0	14,416	0	0	14,416
	106,059	0	0	106,059	400	33,884	140,343
Other expenditures:							
Facility acquisition	0	0	0	0	0	305,226	305,226
Long-term debt:							
Principal	0	0	0	0	110,000	0	110,000
Interest	0	0	0	0	21,585	0	21,585
	0	0	0	0	131,585	305,226	436,811
TOTAL EXPENDITURES	177,173	0	247,004	424,177	131,985	339,110	895,272
Excess(deficiency) of revenues over (under) expenditures	18,821	126,769	(3,567)	142,023	(131,985)	45,661	55,699
Other financing sources(uses):							
Transfers in	0	0	0	0	131,985	0	131,985
Transfers out	0	(131,985)	0	(131,985)	0	0	(131,985)
Total other financing sources(uses)	0	(131,985)	0	(131,985)	131,985	0	0
Net change in fund balances	18,821	(5,216)	(3,567)	10,038	0	45,661	55,699
Fund balance beginning of year	46,691	15,643	91,745	154,079	0	212,552	366,631
Fund balance end of year	\$ 65,512	10,427	88,178	164,117	0	258,213	422,330

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 0	1,047	1,001	46
Investments	0	79	79	0
Drama	1,622	2,282	2,319	1,585
Music	399	800	1,166	33
Vocal	2,192	1,191	820	2,563
Season tickets	2,591	4,534	2,893	4,232
JH track	0	1,129	0	1,129
Boys basketball	4,261	6,464	8,513	2,212
Football	642	4,226	4,868	0
Baseball	0	5,742	5,742	0
Boys track	0	2,109	2,109	0
Wrestling	302	950	913	339
Girls basketball	433	3,145	2,897	681
Volleyball	0	2,242	2,242	0
Softball	0	2,835	2,835	0
Girls track	0	8,245	8,084	161
Yearbook	(2,313)	5,615	10,417	(7,115)
Art club	804	0	0	804
Caps and gown	0	31	0	31
Cheerleaders	1,604	1,208	1,641	1,171
Baseball club	457	505	980	(18)
General activity	11,665	2,238	2,368	11,535
Concessions	10,607	2,344	0	12,951
Football club	5,119	9,182	9,718	4,583
8th grade dues	42	0	42	0
Freshman	263	335	229	369
Sophomore	469	175	319	325
Juniors	2,729	13,457	14,090	2,096
Seniors	2,453	419	688	2,184
Girls baseball club	354	1,620	1,959	15
Library club	356	1,813	2,168	1
JH trip fund	4,536	28,563	27,143	5,956
FFA	(89)	6,647	6,250	308
Softball club	1,009	8,654	9,189	474
HS student council	676	2,024	1,713	987
Volleyball club	898	764	683	979
Wrestling club	2,806	2,063	1,896	2,973
Foreign language club	124	760	760	124
Boys basketball club	467	2,105	1,788	784
Business class	6	0	0	6

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH student council	279	352	247	384
Effort honor role	(218)	415	0	197
Elementary music	(4)	17	(145)	158
Elementary yearbook	653	1,995	1,754	894
Elementary concessions	10,761	29,670	31,314	9,117
Elementary library fund	445	68	161	352
Patriotism day	1,879	0	0	1,879
JH cheerleading	493	72	0	565
Wrestling cheerleading	36	117	43	110
Weight room club	383	0	0	383
A club	7,004	25,082	25,629	6,457
Music boosters	12,201	22,909	26,091	9,019
FCCLA	64	0	0	64
Dance and drill	285	245	205	325
Football cheerleading	0	1,374	1,370	4
Archery club	0	23,351	19,700	3,651
Flag corp	0	228	113	115
Total	\$ 91,745	243,437	247,004	88,178

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,125,457	1,946,426	2,000,954	1,958,913	1,750,121
Tuition	310,638	202,536	136,657	161,180	178,302
Other	449,606	414,059	389,077	426,484	420,220
State sources	3,818,424	3,520,413	3,361,618	3,154,278	2,892,651
Federal sources	220,338	215,168	240,156	243,582	168,971
Total	<u>\$ 6,924,463</u>	<u>6,298,602</u>	<u>6,128,462</u>	<u>5,944,437</u>	<u>5,410,265</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 2,316,023	2,098,677	2,468,967	2,417,405	2,275,334
Special instruction	861,924	903,023	974,648	693,037	863,801
Other instruction	1,081,030	1,031,130	704,381	832,922	491,027
Support services:					
Student services	139,142	142,842	125,741	149,717	144,869
Instructional staff services	235,689	228,787	196,643	25,942	3,462
Administration services	744,771	695,910	726,219	687,027	658,292
Operation and maintenance of plant services	399,678	400,112	330,961	340,082	346,895
Transportation services	283,734	354,127	370,615	315,315	231,964
Non-instructional:					
Community service & other enterprise operations	0	0	0	14,985	0
Operation of non-instructional programs	0	0	3,931	150	0
Other expenditures:					
Facilities acquisitions	305,226	349,243	228,548	130,737	106,448
Long Term Debt:					
Principal	110,000	105,000	100,000	206,389	166,183
Interest	21,585	25,995	30,045	34,445	44,247
AEA flow-through	224,738	207,648	196,840	188,353	184,562
Total	<u>\$ 6,723,540</u>	<u>6,542,494</u>	<u>6,459,539</u>	<u>6,036,506</u>	<u>5,517,084</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Cardinal of Eldon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Cardinal of Eldon Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cardinal of Eldon Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cardinal of Eldon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cardinal of Eldon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Cardinal of Eldon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Cardinal of Eldon Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Cardinal of Eldon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cardinal of Eldon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Cardinal of Eldon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Cardinal of Eldon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Cardinal of Eldon Community School District and other parties to whom Cardinal of Eldon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cardinal of Eldon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 26, 2009

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement if possible.

Conclusion - Response accepted.

- I-B-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided, or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - We will void and reissue in 2008-09.

Conclusion - Response accepted.

- I-C-08 Timely Deposits - We noted during our audit that deposits for the Student Activity fund were collected and deposited bi-monthly.

Recommendation - All receipts should be deposited when received. The district should review procedures to ensure that the deposits are made timely.

Response - We will do deposits daily.

Conclusion - Response accepted.

- I-D-08 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper

coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We will do better in the future.

Conclusion - Response accepted.

- I-E-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. A more specific example of these instances is as follows:

Library book purchases were made from the Student Activity Fund. Library books may only be purchased from the General Fund.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. The District should transfer the money in the Library Club to the General Fund and make subsequent purchases from that fund.

Response - We will purchase library books from the General Fund in the future.

Conclusion - Response accepted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the instruction and support services functional areas. The District also exceeded the total expenditures amount budgeted for the year ended June 30, 2008.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will watch the budget more closely in the future.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-08 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Margaret Metcalf, Bus Driver Owner of RPMS Graphics	Supplies	\$3,142
Sherry VanBlaricom, Part-time Secretary Owner of Gothic City Graphics	Supplies	\$6,451
Tina Snyder, Board Secretary Spouse owns Snyder Construction	Concrete work	\$16,460

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's secretary and bus driver do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the family member of the District's employee do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - During our audit we noted that the District had a deficit unreserved fund balance in the General Fund of \$307,195 and the Enterprise Fund, School Nutrition had unrestricted net assets of \$16,737. The District also had negative account balances in the Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We will monitor these funds more closely.

Conclusion - Response accepted.

II-K-08 Physical Plant and Equipment Levy (PPEL) and Local Option Sales and Service Tax Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for purchasing a single unit of equipment exceeding \$500 per unit. According to the District's revenue purpose statement, local option sales and service tax money can be spent for PPEL type expenditures, thus falling within the same \$500 per unit of equipment restriction. From the Capital Projects Fund, we noted twelve library table purchases totaling \$3,030. These expenditures, which are less than \$500 per single unit, are inappropriate from the Capital Projects Fund. The District purchased software, carpet cleaning, and snow removal totaling \$2,806 which are not allowable from the Capital Projects Fund. Also, equipment purchases of \$3,313.19 for the E2T2 grant were purchased from the Capital Projects Fund

Recommendation - The District should review their procedures to ensure that purchases made from these funds are in compliance with Chapter 298.3 of the Code of Iowa. A corrective transfer of \$9,149.19 should be made from the General Fund to Capital Projects Fund to cover these expenditures.

Response - We have made the corrective transfer.

Conclusion - Response accepted.